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Farm Business Structures

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Foreword

The right structure changes everything

It's very common for farmers to give the majority of their focus to their work and the bare minimum to their paperwork! This is understandable, farming is part of who you are and it's natural to give it everything you've got. But for the benefit of you and your family, it's crucial to find some time to step back and review your farm structure.

The business structure that your farm operates under can have a real and significant impact on both your income and your work/life balance. On top of that, it affects your farm's development potential and even your succession options. By making sure you have the setup that benefits you and your family the most, you can improve your lifestyle and safeguard your future.

We know that many people are put off by the idea of the additional complications and paperwork that might come with setting up a farm company. Our advice is straightforward; find the right structure for your circumstances and let your accountant take charge of the rest. Use their knowledge and expertise to help minimise your tax bill and maximise your farm's potential.

Also, remember that this isn't a once-in-a-lifetime decision. Businesses evolve and your circumstances will change. It makes sense to review your structure, especially if you're borrowing to fund development or you find yourself paying a high rate of Income Tax. Think of these things as trigger points to review your structure.

Changing your business structure requires careful planning and it's essential to seek professional advice. We've been helping farmers make beneficial decisions for over 45 years and we can help you too; contact your local *ifac* office and we'll get you on the right track.

John Donoghue,
CEO, *ifac*

01
Sole Traders

Farm structures may not always follow the sequence that's in this guide. Everyone's circumstances are different and you need to be aware of where you're at on your own farming journey.

It won't surprise you to learn that this is the most traditional business structure in the farming sector. That's largely because it's also the most straightforward to operate. The largest percentage of farmers in Ireland operate as sole traders.

As a sole trader, you're taxed in your own name and own your assets personally. This 'personal money' is often seen as better than company money because you can access it without any significant tax or legal consequences. It's very simple and easy to control – this certainly has its benefits.

It's worth noting, however, that while operating as a sole trader is certainly an advantage if you're on a low income, it's less suitable for farmers in the higher Income Tax bands or those with ambitious development plans.

If you get to the stage that all available personal tax-planning entitlements both inside and outside the farm gate have been exhausted, and you still have a significant amount of farm profits that are taxable at the marginal rate of Income Tax, it's time to review your setup.

Let's Look at Tax Planning Inside and Outside the Farm Gate

Payment of Wages to a Spouse

Where it's commercially justified, you can remove an amount from the higher marginal Income Tax rate of 40% to the lower 20% Income Tax rate by paying wages to a spouse.

Family Wages

Family wages primarily apply to children aged 14 and over, where the payment of wages reflects the commercial contribution of your child's work.

One individual can earn €16,500 (2020) free of Income Tax. This is an allowable deduction from your farming profits at your marginal rate of tax.

If your child's commercial input has a value in excess of €16,500 per annum, their 20% marginal rate band may be used by the payment of additional wages to them. This removes further profits from the 40% marginal Income Tax rate band.

Expenditure on Repair Work

Could expenditure on repairs such as fencing, electrical, building and/or machine repairs be brought forward to the current year?

This work will have to be carried out regardless. It would be tax-deductible at the higher marginal tax rate if carried out this year (subject to cashflow of course).

Farm Capital Investment

Would the capital allowances on proposed farm capital expenditure on items like machinery, plant, land reclamation etc., remove a significant amount from the taxable income? Do you know what remaining capital allowances you have and if you're making new investments, what allowances are available?

Off-Farm Tax Shelter Investments

Once you've explored the tax-saving possibilities within the farm gate, you need to consider the availability and advisability of off-farm tax shelter investments. Your main options are:

- Pension Payments
- EIIS – the old Business Expansion Scheme Relief

ifac Reminder: Take it Year by Year

It's great to have access to your own money, so for many it's desirable to stay out of a limited company structure for as long as possible by utilising tax planning reliefs. However, if there's a material tax bill and living costs are relatively expensive or if you're considering significant borrowings, it's time to reconsider your options.

Tax Planning Relief Checklist

Have you considered?	Yes	No
Topic: Special Farm Reliefs Don't forget the basics e.g. wages, tax credits etc. Can you avail of any of the following? • Standard Stock Relief • Young Trained Farmer Stock Relief • Registered Farm Partnership Stock Relief • Compulsory Disposal Stock Relief • Compulsory Disposal Deferral • Averaging of Farming Profits		
Topic: Repairs Could expenditure on repairs such as fencing, electrical, building and/or machine repairs be brought forward to the current year?		
Topic: Farm Capital Investment Would the annual allowances on proposed farm capital investment into machinery, plant, land reclamation, buildings etc. combined with these other points remove a significant amount from the taxable income?		
Topic: Off-Farm Tax Shelter Have you looked at these off-farm tax shelter investments? • Pension Payments • EIIS – the old Business Expansion Scheme Relief		

In summary

Setting up as a sole trader or sticking with this structure makes sense if:

- You aren't generally paying tax at the higher rate.
- Tax planning within the farm gate successfully removes further profits from the 40% marginal Income Tax rate band.

Key triggers for reconsidering your sole trader setup:

- Tax planning inside and outside the farm gate is no longer removing enough profit from the 40% marginal Income Tax rate band.
- You have ambitious development plans.
- You're considering significant borrowings for farm capital investment.
- You're considering future land purchases.
- You have significant off-farm income.

If reading this has you reconsidering your structure, be aware that you don't have to jump from being a sole trader to a limited company. You could always consider forming a farm partnership structure instead. With that in mind, the next question to ask yourself is…

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Would forming a farm partnership structure reduce your level of profits chargeable at the 40% marginal tax rate?

Let's keep it real

It's always best to look at an example.

Bill is farming 100 acres and he's maximising his profits. The farm is making €50,000 per annum profit with a BPS of €20,000 included. Bill's wife is returning to work full-time and will earn approximately €45,000. Tax will now become a significant issue so all options need to be looked at.

Between them they'll be able to earn in the region of €70,000 at the low tax rate, which means they'll suddenly be dealing with €25,000 at the higher tax rate. What can they do now to minimise their tax bill?

Firstly, they need to look inside their farm gate:

- Are there any necessary repairs?
- What about reducing their personal addbacks?
- Is any capital investment needed?
- Are any family members old enough to be added for wages?
- Could income averaging work?

Secondly, they need to look outside their farm gate:

- Have they considered maximising both of their pension payments?

Finally, they need to look at the tax liability:

- They could change the farm structure to a limited company and have the €25,000 taxed at 12.5% instead of the higher tax rate. This offers a possible tax saving of €9,800, minus the costs of running the company.

Key Point!

If you've used all tax saving and pension measures and you're happy with the remaining level of tax you'll be paying, you don't need to do any more. If you're not happy with the remaining liability, then you need to consider your options.

02 Partnerships

In a partnership, two or more farmers (or in some situations a company and a farmer/ farmers) combine their operations into a single business and then share the profits according to an agreed ratio.

Partnerships are becoming more popular as they can achieve economies of scale and they're a sensible way to share workload, which can lead to the ultimate goal of a better work/life balance. When it comes to tax returns, they can help to reduce your liability when you've fully exhausted sole trader tax planning. They're also a really useful tool when it comes to succession planning, and for that alone they're worth finding out more about.

The main types of partnerships are:

1. Informal/Joint Herd Number Partnership
2. Formal Partnership
3. Registered Farm Partnership
4. Succession Farm Partnership

It's worth noting that regardless of the type of partnership, individual partners own a share in the partnership and any assets acquired with partnership funds belong to that partnership. They're a logical move for those who have been sole traders, as partners are treated in a similar way to sole traders for Income Tax purposes. Each partner is taxed on their share of the profits and can opt into income averaging independently of each other.

1. Informal/Joint Herd Number Partnership

An Informal Partnership is where two or more farmers enter into a partnership arrangement without a formal written agreement. Over the years, farmers have created "Joint Herd Number" structures in order to possibly qualify for the National Reserve and Young Farmers Scheme without seeking either legal or taxation guidance.

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Watchout!

While this type of arrangement may deliver practical benefits in the short term, it can quickly become a problem if there's a dispute or if a partner becomes ill or passes away. In these situations, what happens is governed by the Partnership Act 1890 and this often doesn't reflect partners' wishes. Informal partnerships can lead to unintended legal ownership rights and problems with Wills. They can even create unplanned and unintended tax bills, so we strongly recommend getting correct tax and legal advice before forming one. You should agree an exit mechanism from a partnership while all are on good speaking terms.

2. Formal Partnership

A Formal Partnership is where the partners draw up and sign a written partnership agreement. Unlike Informal Partnerships where the Partnership Act 1890 determines what happens in certain situations, in a Formal Partnership, the partners themselves decide what will happen with terms laid down in their partnership agreement. This gives more control and confidence to everyone involved.

3. Registered Farm Partnership

A Registered Farm Partnership is a Formal Partnership that is registered with the Department of Agriculture. A trained farmer must have a minimum of 20% of the profit share from the farm. A Registered Farm Partnership comes with lots of advantages. Here are the main ones:

- **Department of Agriculture:**
  - As a registered partnership, you can avail of various grants, including a double ceiling for TAMS/investment on the farm.
  - Allows for multi-herd numbers.
- **Tax:**
  - Enhanced Stock Relief: 50% Stock Relief as opposed to the standard 25%.
  - 100% Stock Relief for young-trained farmers is still available for those who are partners.
- **Practical Benefits:**
  - Registering your partnership also provides a good route for succession and expansion.
  - Non-family partnerships are an effective amalgamation of skills and resources and offer helpful economies of scale.

4. Succession Farm Partnership

Registered Farm Partnerships can avail of an optional Succession Farm Partnership incentive, which is designed to encourage the transfer of farms to young-trained farmers. We can't overemphasise the importance of this as good planning is crucial to success in succession. This looks out for both the outgoing and incoming generations and assets are transferred on an agreed date between year 3 and year 10.

Here are the key tax benefits and points to note:

- There's an Income Tax credit of €5,000 per annum for up to five years, allocated on a profit-sharing ratio between a qualifying farmer and his/her successor.
- This tax credit is in addition to other Registered Farm Partnership benefits such as preferential Stock Relief.
- The successor must be a young-trained farmer (under 40 years of age) who is entitled to at least 20% of the partnership profits.

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Watchout!

The tax credit can't be claimed after the successor reaches 40 years of age.

- There is a cumulative €70,000 lifetime cap on the benefit that an individual can receive under the Young-Trained Farmer Stamp Duty Relief, Stock Relief and Succession Farm Partnership.

Summary of things to consider

- Assets become partnership assets – they are no longer personal assets unless this is planned carefully at the outset through written agreement
- You can only be in one Registered Farm Partnership
- A partnership can be a non RFP (joint herd number), but we advise formal partnerships in all cases
- Partners can be an individual or a company (excluding Succession Partnerships)
- Separate partners' capital accounts must be maintained
- Partnerships facilitate Succession Tax planning and Income Tax planning on farms

Tax Summary

Income Tax:

- Each partner is taxed on their share of profits
- Stock Relief is available to each partner – 25%, 50%, 100%
- Income averaging can be applied independently to each if wanted
- Similar to Sole Trader tax treatment

Capital Tax:

- Assets become partnership assets if acquired with partnership funds
- Individual partners own a share in a partnership
- Can also own assets personally and only use by partnership
- Your Will should be updated when entering a partnership

Key triggers for considering a partnership:

Succession Planning

You're planning for succession – partnership is a great option for a smooth transition. It's a really strong incentive for the next generation.

Social Benefits

You'd enjoy the social benefits – you're interested in sharing your workload, would enjoy working with a partner and would ultimately like a better work/life balance.

Expansion

You'd like to expand – you have ambitious development plans and partnership could help you achieve them.

Income Tax Planning

Your Income Tax planning would benefit – you've exhausted all sole trader tax planning options and partnership could help you reduce the level of profits chargeable at the 40% marginal tax rate.

Grant Aid

You'd benefit from the grants – if you move to a registered partnership structure, you could become eligible for an array of Partnership Grant Schemes.

Partnership Checklist

If you're interested in forming any of these types of partnerships, we recommend you do the following:

- **Prepare a formal partnership agreement**
- **Keep separate capital accounts**
- **Update your Will to reflect that change in business structure**
- **Consult tax and legal advisors with experience in the farming sector – this is crucial!**

"A Registered Partnership structure made sense for our business. The RFP allowed us to avail of double grants to help with our expansion plans. However, with profits rising, tax was becoming an issue and we needed specialist advice on structure and tax planning, as well as managing succession."

Alan Jagoe,
Farmer and Chairman of Agri Aware

Partnership in action: what happens with expansion or rising profits?

It's quite common after a couple of years in a Registered Farm Partnership to find yourself facing rising tax bills due to rising profits. With this in mind, you need to make sure you're maximising the benefits of that partnership.

It's generally agreed that one of the main benefits of a Registered Farm Partnership is the double TAMS/Grant ceiling. It allows for a grant of up to an average of 50% of €160,000, where a young-trained farmer is involved.

This would leave a net spend on the farm of up to €80,000, which could generate capital allowances of approximately €12,000 per year. But what happens if profits suddenly start to increase, perhaps as a result of increased cow numbers or the unit increasing in size, for example if a tillage farm takes on more land?

Let's tease out an example:

Bert and his son Tom are farming 100 acres milking 80 cows. The farm is currently making €80,000 profit per annum.

The family has decided that Tom will move home and farm full-time with Bert. In order to make this sustainable for them both, they need to increase from 80 to 140 cows. They've decided on a €200,000 development on the farm – net of grants and VAT to cater for the increase in cow numbers.

This gives €15,000 extra per annum of capital allowances, but with other allowances beginning to fall out, there will be no great change in their overall allowances.

The grant is paid in 2023 which means they must stay in the Registered Partnership until 2028, i.e., 5 years from the date of the grant drawdown.

The issue arising in 2025 is that they move to the high rate of tax and their tax liability will rise due to falling allowances. This will be the approximate tax for the years 2025 to 2028:

Bert and Tom

Year	Profits	Capital Allowances	Income Tax
2021	€80,000	€20,000	€10,500
2022	€90,000	€20,000	€10,050
2023	€120,000	€20,000	€18,600
2024	€120,000	€20,000	€18,600
2025	€130,000	€15,000	€25,295

What do Bert and Tom need to consider?

If they come out of their Registered Farm Partnership, they'll have to pay back some of the grant. One of the disadvantages of a Registered Farm Partnership is that you can't farm in a partnership as a company and as an individual. A company must be a Category 1 Farmer, i.e. the herd number must be registered in their name for two years and an individual can't be a director of a company and a sole trader within the partnership structure. They need to look at alternative options:

- Could they set up a contracting company to carry out some of the work on the farm?
- Could they bring Bert's spouse in to form a company and make that company a third partner? This would allow them to allocate some of Bert's share of the profit to the company to shelter the tax.

Also remember that because Tom is a young farmer, he must get 20% of the profits.

It sounds complex but with specialist advice it's possible to get a structure that will preserve grants and minimise tax, while not being overly complicated to work. With proper planning, a minimum tax saving of €10,000 could be achieved in this example farm.

Diagram 1: Current Farm Trading Structure

Diagram 2: New Farm Trading Structure

03
Limited Companies

For some farm businesses, forming a limited company has huge advantages. A company is a separate legal entity with its own bank account. When setting up the company, the farmer sells assets such as stock, machinery and land to the company which then owns these assets. The farmer becomes an employee of the company and earns a wage which is subject to Income Tax.

A key advantage of this structure is that it allows the farm to achieve significant tax savings. This is because companies pay the 12.5% Corporate Tax rate whereas sole traders pay up to 55% in Income Tax if they're in the higher rate tax band.

As well as the tax advantage that limited companies enjoy, this structure makes it easier to build up funds for future farm investment and wealth generation. It also enhances borrowing power as banks tend to view limited companies more favourably. So, this structure should be considered if you are in the higher Income Tax band, have high borrowings or you're looking to create wealth. It may also be suitable if you have rising tax bills and low drawings other than debt repayments.

Before deciding to form a limited company, you need to be aware of the accounting and company law implications, as well as the impact on Income Tax, Corporation Tax and Capital Taxes. Herd number and BPS entitlements will need to be considered and there are Department of Agriculture procedures to go through. Timing is important when changing your business structure and you also need to plan ahead for what will happen if and when the company is eventually wound up. Obtaining sound advice from tax and legal professionals with experience in the farming sector is essential.

Who is a limited company suitable for?

The major tax change in farming over the last number of years is the introduction of the limited company as a structuring and tax minimisation tool for the industry.

When set up initially, it was seen as something that only the very large operators would benefit from, but it's now seen as something that can benefit all farming sectors.

Is tax saving the main benefit?

Yes, the main reason for the move to a company is tax saving. Retained profits are taxed at 12.5% versus the marginal rate, which can be up to 55%. Let's put this in perspective:

Farm profit after allowances	€110,000
Salary/rent	€70,000
Taxable as company	€40,000
Tax in company	€5,000
Tax as individual on salary/rent	€13,350
Total as company	€18,850
If stayed as individual	€34,150
Saving by entering a company	€15,300

Is it for you?

Key triggers for changing to a limited company

Retained Profits

Have you significant retained profits (i.e. profits liable to tax after living expenses)?

Loan Repayments

Have you large capital repayments on loans with loan 5/7 years from completion?

Planned Farm Development

Are you undertaking significant development and funding that development for longer than the capital allowances term?

Capital Allowances Reducing

Are your capital allowances reducing, while your tax is rising or is about to rise?

Income Averaging

Are you a farmer on income averaging whose profits are rising and the benefit of averaging is levelling out?

New Entrant

Are you a new entrant to dairying who projects profits to rise over the forthcoming years?

Single Tax Treatment

Are you single or applying single treatment and your earnings are above the low-rate tax band?

Married + One Income

Are you married and in a one-income family with earnings above the low-income tax band?

Married + Off-Farm Income

Are you married with off-farm income bringing overall income above low-income tax band?

Part-Time Farmer

Are you a part-time farmer and your farm income is likely to be taxed a high rate?

Succession Planning

Are you looking towards succession and reviewing the farm as a business for the family?

Land Purchase

You may be considering land purchase in the future.

Pros	Cons
Increased Profits More retained profits	**Company Current Accounts** Retained money not available for direct personal use by director
Reduced Tax Avail of Corporation Tax rate at 12.5%	**Public Access** Balance sheet can be viewed via Companies Registration Office
Increased Repayment Capacity More cash available to meet loan repayments	**Company Law** Strict company law rules must be adhered to
Farm Assets Capitalise on farm assets built up over the years	**Succession** More complex rules for succession
Greater Pension Benefits Company receives full tax deduction for payments to directors pension fund	**Potential Clawback** Potential clawback on Stamp Duty and VAT reliefs previously claimed
Limited Liability Directors' exposure is limited in the event of business failure	**PRSI** Class "A" PRSI charge on wages paid to family members

New entrants to dairy farming –
Don’t rule out company structure on day 1

Most new entrants to dairy farming don’t show a profit until year three. However, with careful planning and the right business structure, there are potential savings to be made.

New entrants usually follow the same path when starting a dairy enterprise. The process begins with research, followed by a series of steps leading up to commencing milking.

Typically, these steps include:

- Preliminary dairy research
- Preparing building plans
- Finalising costings
- Approaching bank for funding
- Applying for planning
- Purchasing stock
- Commencing operations

Business structure

New entrants often don’t spend enough (or any!) time considering if their business is correctly structured. Most farmers automatically operate as sole traders or partners, although the number of limited companies in the dairy sector has increased in recent years. It’s worth thinking about if you should incorporate your business from the outset. While you should always look for professional advice, the following are good indications that you’d benefit from setting up a company:

- Profit per cow will be above €750
- No off-farm income and milking at least 70/80 cows
- Capital spend of less than €3,000 per cow
- Likely to expand
- Willing to look at minimising tax
- Off-farm income and profitable farm

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Watchout!

Stamp Duty on the transfer of buildings into the company is a potential pitfall of converting. Financing issues can also arise and VAT can be complex with potentially costly problems if buildings are transferred within five years of construction. It comes back to the same piece of guidance – always seek advice first when thinking about changing your structure! It will save you heartache and money in the long run.

“There were two years of planning in our switch to dairy - it wasn’t just a case of going out and buying heifers and starting milking. We made sure we got the best advice from *ifac* from a farm structure and tax perspective, to give the new enterprise the best chance of success.”

Enda Farrell,

New Entrant and winner of the Teagasc/ FBD Student of the Year 2019

How it’s worked for others: A case study

Trevor & Carol Draper of T&C Dairy Ltd incorporated their business in 2015.

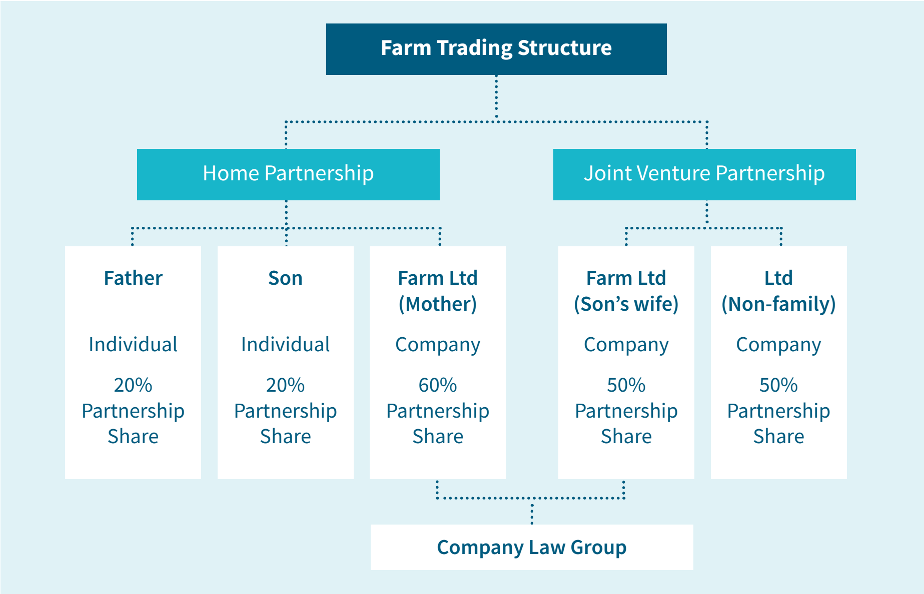
Trevor began farming in a milk partnership with his father in 2010, at which stage they were milking 55 cows and had 80 beef animals.

By 2014, Trevor and Carol were up to 100 milking cows and 50 beef animals. When neighbouring land came up for sale, they approached *ifac* on the best strategy for purchasing this land. *Ifac* advised Trevor and Carol to incorporate the farm to facilitate the purchase of this land, with the added tax and interest benefits in mind.

Now, they milk 150 cows and have plans to grow this to 170. Trevor says, “Tax-saving while receiving a monthly wage from the company has streamlined everything. It means we have proper cash management and we’re operating efficiently and effectively.”

They admit that the company structure was difficult to get the hang of for the first year. But, with the help of *ifac*’s Bandon office, Trevor and Carol’s knowledge of the company structure grew and they’re now reaping the benefits. Carol says, “Incorporation has made dealing with the banks so much easier. Having set wages and rental for both of us means our projections are more accurate and we get a much faster turnaround on loan applications.”

04
Hybrid Structure – Partnership with a Difference



To borrow a memorable line from an old ad for a dosing product, it's '*a quare name, but great stuff!'* Similarly, while the name "hybrid structure" doesn't do this type of structure justice, the setup itself can be extremely beneficial.

The reason behind the name "hybrid structure" is that it combines partnership and company structures – it's a partnership setup, but one of the partners is a company. This means that the share of profit going to the company is taxed at the 12.5% rate and the share going to the individuals is taxed at the personal rate. It's the best of both worlds.

Why might you consider a hybrid structure?

- To avoid clawback of Stamp Duty if claimed as a young-trained farmer
- To avoid clawback of Agricultural Relief
- To allow business relief to be claimed
- Last but not least, to minimise tax

Tax is clearly a main driver for this structure, but it may not be the only one. The running of a hybrid is no different to any other partnership, but we understand that the introduction of a company can scare some people off. However, proper structuring done with the support of agri tax sector specialists can solve a lot of issues and lead to significant tax savings.

05
What Role Does VAT Play?

Many farmers overlook the issue of VAT and whether or not it would be helpful to be VAT registered. If you're reviewing your structure, it's the perfect time to consider this.

Like Income Tax, VAT is a direct cost on your business and farmers have a flat rate added to their sales. The point of this is to save you some administrative burden. Your flat rate addition is calculated annually and may be adjusted upwards or downwards. The **goal** of it is to compensate you for VAT you've had to pay out; the **result** of it is that the majority of farmers aren't VAT registered.

Farmers who aren't registered for VAT can reclaim VAT they've paid on capital investment on fixed structures on their farm through the online VAT58 form. The truth is that this mechanism makes it easy for farmers to decide *not* to register for VAT.

But what if most of your expenditure is on machinery? Then you need to assess things differently.

When looking at VAT registration, these are the questions you need to ask yourself:

- What are you planning to spend?
- How often will you spend this amount?
- What's the net effect of registering?
- How much extra will it cost to complete VAT returns?
- Most importantly, will it pay?

These prompts are important so that you don't just automatically rule out registration. Remember to look at it properly before you make the call.

***ifac* Reminder:**
Every farm is different!

While 'norms' are helpful, every farm is unique and you should always get your own farm figures examined to see if VAT registration would suit you.

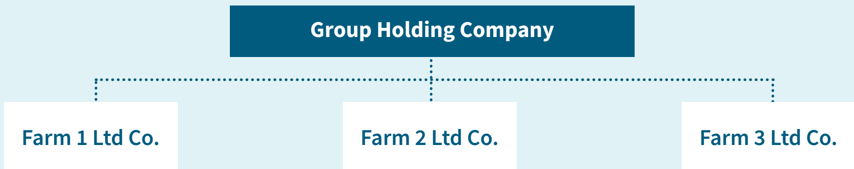
Normal VAT Status on different types of farms

Sector	Typical VAT Status
Dairy	It's unusual to register.
Dry stock	If buying and selling, registering is done in some cases and not in others. If breeding only, it would be unusual to register.
Tillage	Registering is definitely worthwhile.
Pigs	It would be unusual to register but, for example, you might have a registered feed company.
Poultry	Registration would be unusual.
Sheep	Registration would be unusual.

06
How Should I Handle Multiple Units?

When you have a structure with multiple units, simplifying the operation is really important. You'll want each farm to stand on its own two feet, but the initial stages might require each farm to contribute to the overall funding or development of a new unit. In most cases, you'll start off with one farm and as the business evolves, you should look at separating each farm into a separate company. The ultimate goal is to have a group holding company at the top of your structure.

Diagram 1: Current Farm Trading Structure



Benefits

A group holding company structure gives a number of key benefits:

- **Movement of Funds**

  Funds can move efficiently between members of the group by way of intercompany loans. Companies are prevented under company law from making loans to directors or people connected with directors, with certain exceptions. For example, company law provides exemptions for group companies.

- **Payment of Dividends (unusual in a private farm company)**
  - A subsidiary can pay dividends tax free out of trading income to its company shareholders.
  - Each individual can own their share of the farms through their own respective companies.
  - When the farms generate surplus funds from profits in the future, this will enable the companies to pay dividends.
  - These dividends will be tax free in the holding company and where declared out of trading profits, no extra tax will apply once structured properly.

- **Utilisation of Funds**
  - They can then make their own decisions as to how to utilise the funds, e.g., investments made by the company, taxable directors' salaries, directors' pensions etc.
- **Limited Liability**
  - It allows for the creation of limited liability by ring fencing each business.
- **Off-Set of Losses**
  - It also facilitates the availing of group relief so that losses in one company can be off-set against profits in another company.
- **Succession and Sale**
  - The use of a holding company can also provide an opportunity to dispose of all or part of the businesses free of Capital Gains Tax at the corporate level.
  - It can facilitate ultimate succession as the farm companies won't be intertwined with investment assets etc.

As you can see, the main benefit of this structure is the fluid movement of funds between companies.

This can give you a lot of financial control and provide significant opportunities that don't arise in other structures. It's a great example of how the right structure matters and, therefore, why the right advice matters the most.

Sound advice, independent solutions

We understand that every business has its individual needs and opportunities. Our team of experts can offer you the most comprehensive independent advice and specialist solutions tailored to fit your needs. Our key solutions are:

Taxation

Ensure that your taxes are structured as efficiently as possible by planning your affairs with one of our specialist tax advisors.

Audit and Assurance

Focus on ensuring compliance during your next audit and add value specific to your business.

Accounts

Keep track of your financial transactions and gather vital information for planning your financial future.

Specialist Advisory

Increase profits and drive growth with advice and consulting from our committed teams of highly experienced professionals.

Financial Planning

Choose from the best investment solutions available with independent advice from our financial specialists, supported by our accounting and tax teams.

Employer Services

Make sure that payments are made accurately, on time, and in compliance with legislation in this critical part of your enterprise.

Food and AgriBusiness

Whether you're looking to access funding, export to new markets or seize on a new opportunity, our Food & AgriBusiness team can help you maximise your potential for growth.

Finance

Access the right finance opportunities to start, develop or expand your enterprise.

FarmPro

Our FarmPro service allows you to access your real-time accounts, budgets and forecasts anytime, anywhere.

Succession Planning

Our experienced tax team can help you to optimise your farming assets and secure the future of your farm and family by putting a well thought out plan in place.

Cashminder

Track your money and provide data quickly to your accountant, your farm adviser and to Teagasc eProfit Monitor.

Speak with one of our experts and see how we can help your business grow on **1800 33 44 22** or visit **www.ifac.ie**

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